

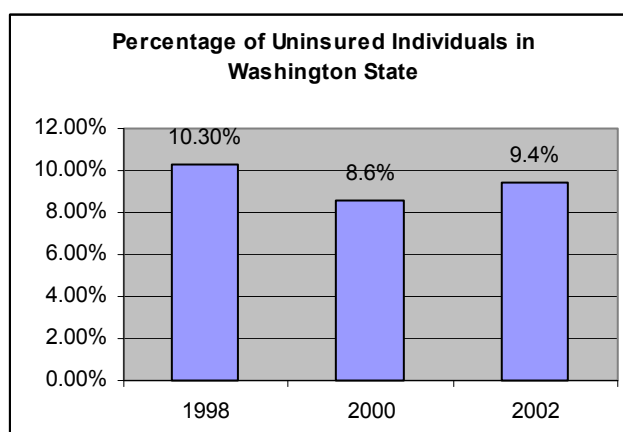
# What the Uninsured are Costing You: North Sound Regional Report

Office of Insurance Commissioner  
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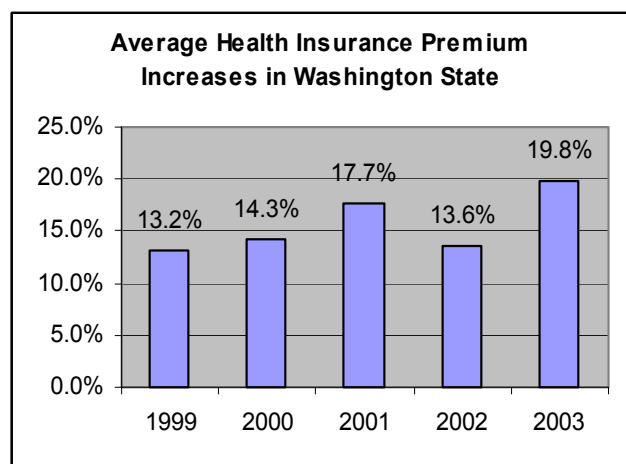
## Washington State Healthcare Market

There are 549,535 men, women, and children in Washington State who have no health insurance coverage.<sup>1</sup> Increases in state unemployment, rising health insurance premiums, and recent state budget cuts have increased the number of uninsured individuals. Of those lacking health insurance coverage, 75% are currently employed but do not qualify to receive health insurance benefits from their employer, cannot afford coverage for themselves or their families, or receive no benefits from their employers.<sup>2</sup>

Employer and union-sponsored insurance coverage dropped from 63.6 percent in 2000 to 61.8 percent in 2002 and individual coverage dropped from 5.6 percent to 4.1 percent over the same time period.<sup>3</sup> The unemployment rate in Washington rose from 5.4 percent in January 1999 to 8.0 percent in January of 2003, and the percentage of uninsured Washington residents increased from 8.6 percent in 2000 to 9.4 percent in 2002.<sup>45</sup>



Average rates for private health insurance premiums have risen consistently. In the individual health insurance market, premium increases ranged from 18.2 percent in 1999 to 23.7 percent in 2003. Small group market rates increased 8.1 percent in 1999, and continued to increase 16.6 percent in 2003. The large group market experienced similar rate hikes, as premiums increased 9.88 percent in 2000 up to 19.1 percent in 2003<sup>6</sup>.



State budget cuts in 2002 eliminated three state funded programs that left over 28,000 individuals without health coverage; 90 percent of which were children. Slots were set aside in the Basic Health Program in Washington State for those displaced by the budget cuts, but only about half of those displaced made the transition and fewer have maintained their coverage since.

**We all pay for the uninsured.** As a result of such coverage gaps, cost shifting has occurred in the public and private sector wherein the financial burden of these uninsured individuals has been placed upon hospitals, medical care providers, public healthcare programs, and Washington State citizens.<sup>7</sup> The uninsured continue to receive medical care through hospital charity care, free care provided by doctors and practitioners, and community outreach clinics. A large portion of the \$318 million of uncompensated care consumed annually in Washington State is absorbed by the private insurance system, and every covered person ultimately bears a part of this burden through higher healthcare costs and insurance premiums.<sup>8</sup>

## North Sound Regional Healthcare Market

In the North Sound Region, there are approximately 365,000 people.<sup>9</sup> Of those age 18 and under, 10.6 percent lack health insurance, as do 16.9 percent of working age adults age 19 to 64.<sup>10</sup> Over 47,000 individuals are uninsured, which equates to 13.0 percent of the North Sound population that lack health insurance.<sup>11</sup>

North Sound Regional Data								
Region	County	Regional Population (OFM Estimate 2002)	Uninsured Individuals (Age 0 - 18)		Uninsured Individuals (Age 19 - 64)		Total Uninsured (Age 0 - 64)	
			Number	Percent	Number	Percent	Number	Percent
North Sound	Island	73,100	10,141	10.6%	37,173	16.9%	9,724	13.30%
	San Juan	14,600					1,852	12.70%
	Skagit	105,100					14,020	13.30%
	Whatcom	172,200					21,730	12.60%
	<b>Total</b>	<b>365,000</b>	<b>10,141</b>	<b>10.6%</b>	<b>37,173</b>	<b>16.9%</b>	<b>47,326</b>	<b>13.0%</b>

Sources: State Population Survey 2002, Office of Financial Management, and ESD

Of the \$318 million of uncompensated care consumed annually in Washington State, North Sound absorbs almost \$25 million of the state's uncompensated care costs.<sup>12</sup> North Sound residents receive almost \$5 million in hospital charity care, and almost \$20 million in uncompensated care due to bad debts and an inability to pay for services rendered by healthcare practitioners.<sup>13</sup> As a result of such gaps in coverage for individuals, cost shifting has occurred as the financial burden of the uncompensated care is placed upon hospitals, medical care providers, public healthcare programs, and North Sound citizens who end up paying higher healthcare costs and insurance premiums.

Cost of Providing for the Uninsured In the North Sound Region								
Region	County	Number of Uninsured People (Age 0 - 64)	Hospital Charity Care (Care received by North Sound County residents who cannot pay)		Uncompensated Care (Physician Services, Bad Debts, etc.)		Total Uncompensated Care	
			Amount	Percent	Amount	Percent	Amount	Percent
North	Island	9,724	\$1,093,513	1.26%	\$4,106,308	1.77%	\$5,199,821	1.63%

<b>Sound</b>	San Juan	1,852	\$146,373	0.17%	\$781,903	0.34%	\$928,276	0.29%
	Skagit	14,020	\$1,627,306	1.88%	\$5,920,753	2.55%	\$7,548,059	2.37%
	Whatcom	21,730	\$2,125,894	2.46%	\$9,176,745	3.95%	\$11,302,638	3.55%
	<b>Total</b>	<b>47,326</b>	<b>\$4,993,086</b>	<b>5.77%</b>	<b>\$19,985,709</b>	<b>8.61%</b>	<b>\$24,978,794</b>	<b>7.84%</b>

Sources: Department of Health data, CHARS, and Hospital Financials

## How the Uninsured Effect You and Your Community

Every year, hospitals and medical care providers perform a number of “free” or reduced cost services to people in the community. Some of the services are “free” due to bad debts and an inability to pay on the part of individuals, and some are cases of charity care given to individuals in need. Such care imposes significant costs and losses on hospitals, clinics, providers, and citizens. Hospitals and providers can absorb only so much uncompensated and charity care and remain financially viable. If a large percentage of services result in charity or uncompensated care, the provider will ultimately face operating losses. This may result in shifting the costs onto your premiums or decreasing your payment to other providers.

**There are over 47,000 uninsured individuals in North Sound, and this portion of the population is costing you money.** This region provides almost 4 percent of all hospital charity care in Washington State, which equates to over \$3 million of “free” care.<sup>14</sup> The number of hospitals, range of services and facilities, and the demographics of the region contribute to the amount of charity care performed in North Sound. In addition, people from other counties and states come to hospitals in the area to receive care, which greatly increases the patient base. All of these factors ultimately place the financial burden of providing care on North Sound residents. The combined costs of the uninsured, annual increases in health insurance premiums, and rising numbers of working uninsured in Washington State indicate that action should be taken to lessen the burdens that have been placed on citizens. See Appendix A to learn more about the amount of hospital charity care provided in North Sound.

## What Can Be Done: Proposals to Alleviate the Effects of the Uninsured

Three proposals to stabilize the health insurance market and lower healthcare costs in North Sound and Washington State have been analyzed: *Pooling Risk Reducing Cost (PRRC)*, *Washington Fair Share*, and *Care for Kids*. A detailed explanation of each proposal is available in Appendix B.

In order to reduce annual increases in health insurance premiums and save consumers money the *Pooling Risk Reducing Cost* proposal was drafted. By reducing the risk assumed by insurance companies, the average premium paid by health insurance consumers will decrease by \$104 annually.<sup>15</sup> Money from insurers can be used to fund state programs to provide **compensated** healthcare to people in Washington State and achieve greater efficiency in the private health insurance market. This will save consumers, hospitals, and medical care providers money by reducing uncompensated care, the amount of charity care needed, and minimizing cost shifting that results from an excess amount of free care provided to the public.

Economic Impacts on the North Sound Region of the Pooling Risk Reducing Cost Proposal					
Region	County	Increase in the Number of Lives Insured (Employed Individuals)	Reduction of Uninsured as a Percent of Total Uninsured	Decrease in Costs to Consumers for Uncompensated Care	Increase in Revenues to Medical Services
North Sound	Island	219	2.3%	\$390,693	\$274,099
	San Juan	95	5.1%	\$69,562	\$118,469
	Skagit	531	3.8%	\$567,281	\$664,587
	Whatcom	1,027	4.7%	\$848,283	\$1,286,147
	<b>Total</b>	<b>1,872</b>	<b>4.0%</b>	<b>\$1,875,819</b>	<b>\$2,343,302</b>
Source: Office of Insurance Commissioner Pooling Risk Reducing Cost Model					

*Washington Fair Share* mandates that large employers must provide health insurance to employees who work 86 plus hours a month, so that working individuals and their dependents have access to affordable healthcare. This proposal would affect the 75 percent of the uninsured individuals that are employed but do not have healthcare benefits. Proponents of the program argue that this proposal would level the playing field so that employers who currently provide health insurance benefits to their employees would not be at a competitive disadvantage for doing so. As a result of this program, Washington citizens will save over \$29 million in costs for the uninsured, and over 109,000 employees and their families will gain access to medical care and insurance coverage.<sup>16</sup>

Economic Impacts on the North Sound Region of the Washington Fair Share Proposal					
Region	County	Increase in the Number of Lives Insured	Reduction of Uninsured as a Percent of Total Uninsured	Decrease in Costs to Consumers for Uncompensated Care	Increase in Revenues to Medical Services
North Sound	Island	262	2.7%	\$87,666	\$361,871
	San Juan	68	3.7%	\$22,780	\$94,033
	Skagit	1,522	10.9%	\$508,796	\$2,100,227
	Whatcom	2,637	12.1%	\$881,588	\$3,639,051
	<b>Total</b>	<b>4,489</b>	<b>9.5%</b>	<b>\$1,500,830</b>	<b>\$6,195,182</b>
Source: Office of Insurance Commissioner Washington Fair Share Model					

Proponents of the proposal argue that *Care for Kids* will cover approximately 87,000 children, and reduce uncompensated care by over \$24 million. In the long run, the state's citizens will be healthier as they grow older because they will have received the proper preventative care, and we all will save money by reducing the number of uninsured people in the state. The aftermath of the 2002 state budget cuts left over 28,000 individuals without healthcare coverage and over 90 percent were children.<sup>17</sup> Reducing the number of uninsured children through such a proposal will give all youth in our state the opportunity to live a healthy life, while saving consumers millions in uncompensated care costs.

Economic Impacts on the North Sound Region of the Care for Kids Proposal					
Region	County	Increase in the Number of Lives Insured	Reduction of Uninsured as a Percent of Total Uninsured	Decrease in Costs to Consumers for Uncompensated Care	Increase in Revenues to Medical Services
North Sound	Island	2,043	21.0%	\$577,603	\$947,694
	San Juan	365	19.7%	\$103,194	\$169,314
	Skagit	3,071	21.9%	\$868,243	\$1,424,557
	Whatcom	4,662	21.5%	\$1,318,055	\$2,162,580
	<b>Total</b>	<b>2,043</b>	<b>4.3%</b>	<b>\$2,867,095</b>	<b>\$4,704,145</b>
Source: Office of Insurance Commissioner Care for Kids Model					

### Effects of the Combined Proposals

The proposals will reduce uncompensated care, charity care, cost shifting, save health insurance consumers money, and further improve the health and well-being of all Washington State residents.<sup>18</sup> When combined, these three proposals can reduce the number of uninsured by 204,000 lives statewide, save providers and consumers over \$77 million in costs for uncompensated care, and increase revenues to medical services by \$219 million in Washington State.

In the North Sound region, the combination of these programs will reduce the number of uninsured individuals in the region by over 24 percent. Over 11,000 people would gain insurance coverage, which results in a decrease in costs to consumers for uncompensated care by over \$4 million. In addition, the money saved through the *Pooling Risk Reducing Cost*, earned in *Washington Fair Share*, and applied to *Care for Kids* could increase revenues in the North Sound healthcare system by almost \$11 million. These proposals will greatly minimize the costs of the uninsured on North Sound residents, and help slow rising insurance premium costs to consumers. See Appendix C to view the effects of the three proposals on North Sound hospitals.

Economic Impacts on the North Sound Region of Pooling Risk Reducing Cost, Washington Fair Share, and Care for Kids					
Region	County	Increase in the Number of Lives Insured	Reduction of Uninsured as a Percent of Total Uninsured	Decrease in Costs to Consumers for Uncompensated Care	Increase in Revenues to Medical Services
North Sound	Island	1,607	16.5%	\$559,106	\$1,147,792
	San Juan	374	20.2%	\$148,565	\$305,770
	Skagit	3,665	26.1%	\$1,336,931	\$3,489,211
	Whatcom	6,152	28.3%	\$2,304,686	\$6,032,440
	<b>Total</b>	<b>11,798</b>	<b>24.9%</b>	<b>\$4,349,288</b>	<b>\$10,975,213</b>
Source: Office of Insurance Commissioner Pooling Risk Reducing Cost, Washington Fair Share, and Care for Kids Models					

**Uninsured individuals cost everyone money.** By having large employers contribute their fair share through *Washington Fair Share* to provide health insurance for employees and their families a large portion of the costs currently placed on consumers will be covered. Controlling risk through the *Pooling Risk Reducing Cost* will reduce premiums for health insurance consumers across the state. *Care for Kids* will ensure that the children in our state are given the opportunity to live healthy and productive lives. All of these programs are complementary and in the best interests of hospitals, employers, healthcare providers, and citizens throughout Washington State. Each will infuse local economies with revenues from the increase of insured individuals, and end up saving everyone money now and in the future.

To bring this information down to a community level, OIC has calculated the impact of the uninsured in Washington State by county. These data are available on the OIC website at [www.insurance.wa.gov](http://www.insurance.wa.gov).

## Appendix A

North Sound Regional Hospital Charity Care			
Hospital Location	Hospital Name	Charity Care Provided	Charity Care Provided Based on Average Paid/Charge Ratio
Island	Whidbey General Hospital	\$419,430	\$228,609
Skagit	Affiliated Health Services	\$1,212,494	\$660,865
	Island Hospital	\$268,828	\$146,524
Whatcom	Saint Joseph Hospital	\$4,314,115	\$2,351,392
North Sound Regional Total		<b>\$6,214,867</b>	<b>\$3,387,390</b>
Sources: Department of Health & Hospital Financials			

## Appendix B

*Pooling Risk Reducing Cost* aims to reduce the number of uninsured individuals by restructuring the private health insurance market to capture savings generated from the improvement of efficiency in accessing and sharing risk among Washington State enrollees. Enactment of the proposal would enable the sharing of extraordinary health risk above \$25,000 across individual, small group, large group, and Public Employees Benefits Board (PEBB) market segments. State organized reinsurance would cover 75 percent of all costs over \$25,000 for **all** insured state residents. Improved risk sharing has the effect of reducing cost in the small group market which helps stabilize this fragile sector. This reduction in risk translates to increases in market efficiency, competition, and savings for consumers by reducing uncompensated care, increasing healthcare providers' revenues, and reducing average annual premiums. A portion of the realized savings will be captured to provide premium assistance to low-income enrollees in the small group market, and subsidize enrollee premium rates in the Washington State Health Insurance Pool (WSHIP).<sup>19</sup>

*Washington Fair Share* would reduce the number of uninsured in Washington State by creating conditions for fair market competition and reducing the burden placed on public health assistance programs for the working uninsured. The program would require large employers with 50 plus employees who work 86 plus hours a month to provide health insurance for those individuals or pay an equivalent health insurance fee. Employers would cover 80 percent of healthcare costs, and employees would be responsible for 20 percent for themselves and their dependents. Companies currently providing healthcare benefits to their employees would have these fees reduced or eliminated. The fees collected from employers would be used to fund a fee-based Basic Health Program (BHP) to insure those employees and their families who lack health insurance. Employers would also be required to pay if their employees choose to stay in Medicaid. Through such employer mandates, this program would decrease the cost to consumers for uncompensated care, reduce the number of uninsured people, bring savings into the state budget, and increase revenues to medical services. Requiring employers to offer health insurance would also reduce the competitive advantage held by employers who do not offer healthcare benefits to employees, and ensure that working families have affordable health insurance coverage.<sup>20</sup>

*Care for Kids* is a proposal that would provide health insurance for all children age 0 to 18 in Washington State. The proposal would provide coverage for children who do not have health insurance, cannot afford private insurance, and are not eligible for full public healthcare coverage. The state would create and fund the program, which would cost \$69 million. This program would cover over 87,000 uninsured children statewide, reduce the cost to consumers of uncompensated care, and raise revenues for healthcare providers in the state due to the increase in those utilizing available services. The program would benefit all citizens by reducing future state healthcare costs by identifying health problems and complications early.<sup>21</sup>



## Appendix C

Impacts of Proposals on North Sound Regional Hospitals							
Hospital Location	Hospital Name	Pooling Risk Reducing Cost		Washington Fair Share		Care for Kids	
		Reduction in Charity Care	Provider Revenue Increases by Serving Newly Insured People	Reduction in Charity Care	Provider Revenue Increases by Serving Newly Insured People	Reduction in Charity Care	Provider Revenue Increases by Serving Newly Insured People
Island	Whidbey General Hospital	\$25,223	\$94,744	\$83,436	\$397,969	\$66,657	\$92,748
Skagit	Affiliated Health Services	\$72,916	\$257,272	\$241,199	\$1,080,664	\$192,692	\$251,853
	Island Hospital	\$16,167	\$88,327	\$53,477	\$371,016	\$42,723	\$86,467
Whatcom	Saint Joseph Hospital	\$259,438	\$411,796	\$858,197	\$1,729,737	\$685,607	\$403,121
<b>North Sound Regional Total</b>		<b>\$373,744</b>	<b>\$852,139</b>	<b>\$1,236,309</b>	<b>\$3,579,386</b>	<b>\$987,679</b>	<b>\$834,189</b>
Sources: Department of Health & Hospital Financials							

## Information and Resources:

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- <sup>1</sup> Data source: Washington State Office of Financial Management
- <sup>2</sup> Data source: Washington State Department of Health
- <sup>3</sup> Data source: Washington State Office of Financial Management
- <sup>4</sup> Data source: Washington State Employment Security Department
- <sup>5</sup> Data source: Washington State Office of Financial Management
- <sup>6</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>7</sup> Data source: Kaiser Commission on Medicaid and the Uninsured
- <sup>8</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>9</sup> Data source: United States Census Bureau
- <sup>10</sup> Data source: Washington State Office of Financial Management
- <sup>11</sup> Data source: Washington State Employment Security Department
- <sup>12</sup> Data source: Washington State Office of Insurance Commissioner analysis of Washington State Department of Health data
- <sup>13</sup> Data source: Washington State Office of Insurance Commissioner analysis of Washington State Department of Health data
- <sup>14</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>15</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>16</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>17</sup> Data source: Kaiser Commission on Medicaid and the Uninsured
- <sup>18</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>19</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>20</sup> Data source: Washington State Office of Insurance Commissioner
- <sup>21</sup> Data source: Washington State Office of Insurance Commissioner